

U.S. House and Senate Notification
Thursday, July 1, 2010

To: Congressional Health Staff

From: Amy Hall
Director, Office of Legislation
Centers for Medicare & Medicaid Services

Re: New Competitive Bidding Program for Certain Durable Medical Equipment, Prosthetics, Orthotics and Supplies Expected to Save Average of 32 Percent in Selected Areas

Today, the Centers for Medicare & Medicaid Services (CMS) announced that Medicare beneficiaries in nine areas of the country who use certain medical equipment and supplies will see average savings of about 32 percent off the current cost of those items. The savings will be realized through the first round of a new Competitive Bidding Program that will be used to determine the price that Medicare pays for certain durable medical equipment, prosthetics, orthotics and supplies (DMEPOS). The program replaces Medicare's existing fee schedule amounts with market-based prices. The first round of the program is scheduled to begin on January 1, 2011, for beneficiaries in Charlotte, Cincinnati, Cleveland, Dallas, Kansas City, Miami, Orlando, Pittsburgh and Riverside.

"When this program begins in January, Medicare beneficiaries in these nine areas will see substantially lower prices than they are paying now," said CMS Deputy Administrator and Director for the Center for Medicare Jonathan Blum. "The program also ensures continued access for beneficiaries to high quality products from accredited suppliers that meet stringent quality and financial standards. The program is expected to save more than \$17 billion over ten years."

Suppliers that wished to participate in the program submitted bids last year. The bid evaluation process was designed to ensure that there will be a sufficient number of suppliers, including small suppliers, to meet the needs of the beneficiaries living in the competitive bidding areas. In addition, all suppliers who are offered contracts went through a thorough vetting process, are licensed and accredited, and meet financial standards.

CMS will now begin mailing contract offers to winning bidders and plans to announce the contract suppliers in September once all contracts have been finalized. Bidders that are not offered contracts will be notified of the reasons why they did not qualify for the program when the contracting process is complete. Suppliers that are not contract suppliers for this round of the DMEPOS Competitive Bidding Program may bid in Round Two in 2011 and in future rounds. In addition, suppliers that are not ultimately contract suppliers may continue to provide certain rented medical equipment and oxygen and oxygen equipment for those beneficiaries who are clients at the time the program begins if they elect to continue furnishing the items as "grandfathered" suppliers.

To take advantage of these savings, beneficiaries living in the nine first round communities who use certain medical equipment and supplies may have to choose a new Medicare contract supplier if they want to have Medicare help pay for the item. Medicare will work with local partners and health care providers to inform beneficiaries about these changes.

The Medicare DMEPOS Competitive Bidding Program was established by the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA), and the program was briefly implemented in 2008 in 10 areas. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), enacted on July 15, 2008, terminated the supplier contracts in effect at the time, temporarily delayed the program and made certain limited changes to the program. MIPPA also required CMS to conduct the competition for the Round One Rebid in 2009, and delayed competition for Round Two in 70 additional metropolitan statistical areas (MSAs) until 2011 and in additional areas of the country until after 2011. The Affordable Care Act of 2010 expands the number of Round Two MSAs from 70 to 91.

For additional information about the Medicare DMEPOS Competitive Bidding Program, please refer to the attached press release and fact sheets or visit:

<http://www.cms.hhs.gov/DMEPOSCompetitiveBid/>.

If you have any questions about this announcement, please contact the CMS Office of Legislation.